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Subject: Reg I I - Debit card Interchange

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Comments:

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Proposal: Regulation II - Debit Card Interchange Fees and Routing  
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Comments:

This proposal does not consider the costs, risks and losses that banks incur when issuing debit cards to customers. Small banks have significant costs associated with the plastic costs of issuing cards and the fees paid to bankcard servicing companies as well as the salary of employees overseeing the debit card function of the bank. The new regulations could impact the smaller banks to the point that the bank would no longer be able to offer debit cards, thus having the larger banks with a competitive advantage. The proposal also does not factor in that interchange income to banks was designed to offset losses associated with debit card usage. Federal Regulation E and Visa/Mastercard regulations push the majority of debit card losses back on the banks and the retail sector is not responsible for verifying identities of the card user. In today's banking environment, banks are seeing increasing fraud associated with debit cards and taking higher losses. Security breaches, card skimmers and compromised cards all contribute to higher losses each year for banks. The new regulation should take into consideration the losses associated with debit cards. If the interchange income remains where it's targeted to be, then Federal Regulation E should be changed to favor the banks more on debit card losses and to be the onus back on the retail sector accepting the card transaction. The new interchange regulation, if passed, should also address the two tier issue of smaller/larger banks and have a deadline for compliance of a two tier system that coincides with the onset of the new interchange regulation.